

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

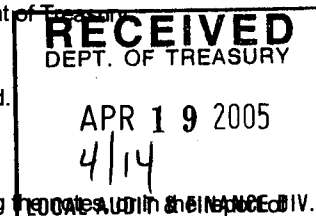
Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Michiana	County Berrien
Audit Date 6/30/04	Opinion Date 3/31/05	Date Accountant Report Submitted to State: 4/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and financial statements.



You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☒ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☒ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) The Don Jackson Group, PC			
Street Address 23 N Thompson St.	City New Buffalo	State MI	ZIP 49117
Accountant Signature 		Date 4/13/05	

VILLAGE OF MICHIANA
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

June 30, 2004

**Village of Michiana
Michiana, Michigan
June 30, 2004**

Village Council and Officials

Beverly Owens	President
Hillary Herbst	President Pro Tem
Michelle Sipich	Council Member
Ellen Fiedler	Council Member
Barbara Opie	Council Member
Roy Henderson	Council Member
George Hermelink	Council Member
Elizabeth A. O'Donnell	Clerk
Frances M. McFay	Treasurer

VILLAGE OF MICHIANA
MICHIANA, MICHIGAN
JUNE 30, 2004

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2 – 7
Government-Wide Statement of Net Assets	8
Government-Wide Statement of Activities	9
Governmental Fund Balance Sheet	10
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	11
Proprietary Fund Statement of Net Assets	12
Proprietary Fund Statement of Revenue, Expenses, and Changes in Net Assets	13
Proprietary Fund Statement of Cash Flows	14
Notes to the Financial Statements	15 – 27
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule – General Fund	28
OTHER SUPPLEMENTAL INFORMATION	
Combining Balance Sheet - Non-Major Governmental Funds	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	30
Combining Balance Sheet – Street Funds	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Street Funds	32



INDEPENDENT AUDITORS' REPORT

Honorable Members of the Village Council
Village of Michiana
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Michiana (the "Village"), as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Michiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Michiana as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, The Village of Michiana has implemented a new financial reporting model, as required by Governmental Accounting standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 28 are not required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Michiana basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Don Jackson Group, P.C.

The Don Jackson Group, PC

March 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information the activities of the Village as a whole and present longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government wide financial statements.

Financial Highlights

The Village's combined net assets decreased by 3.8% from a year ago – decreasing from \$1,667,330 to \$1,604,313. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a decrease in net assets of \$9,233 during the year, while the business-type activities experienced a decrease in net assets of \$53,784.

Overview of the Financial Statements

This report consists of four parts – *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Village government, reporting the Village's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates like businesses, such as the water system.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Village acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basis financial statements. The following table summarizes the major features of the Village's financial statements, including the portion of the Village government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements, Concluded

Major Features of the Village of Michiana's Government-Wide and Fund Financial Statements

	Fund Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire Village government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as general, building and capital projects and street funds.	Activities the Village operates similar to private businesses: The water fund.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenditures, and changes in fund balances. • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modifies accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The two government-wide statements report the Village's net assets and how they have changed. Net assets are the difference between the Village's assets and liabilities, which is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional nonfinancial factors such as changes in the Village's property tax base and condition of the Village's infrastructure.

The government-wide financial statements of the Village are divided into two categories:

- **Governmental activities** – Most of the Village's basic services are included here, such as general government, public safety, public works and recreation and culture.
- **Business-type activities** – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Village Council establishes other funds to control and manage money for a particular purpose (i.e. Building or Capital Projects) or to show that it is properly using certain taxes and grants (major and local streets).

The Village has the following two kinds of funds:

- **Government Funds** – Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Village as a Whole

The Village's combined net assets were \$1,604,313. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 365,166	\$ 503,416	\$ 868,582
Capital Assets	465,492	317,744	783,236
Total assets	\$ 830,658	\$ 821,160	\$ 1,651,818
 Total Liabilities	 \$ 37,110	 \$ 10,395	 \$ 47,505
 Net Assets			
Invested in capital assets	\$ 465,492	\$ 317,744	\$ 783,236
Restricted assets	184,944	21,135	206,079
Unrestricted assets	143,112	471,886	614,998
Total Net Assets	\$ 793,548	\$ 810,765	\$ 1,604,313

Unrestricted net assets – the part of net assets that can be used to finance day to day operations, increased by \$46,987 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$56,600 for governmental activities stands at \$165,243, or about 10.2% of expenditures. This is below the ideal level identified during the budget process.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	Business-Type Activities	Total
Program Revenues			
Charges for services	\$ 45,131	\$ 274,338	\$ 319,469
Operating Grants and Contributions	54,225	-	54,225
General Revenues			
Property Taxes	393,882	-	393,882
State Shared Revenues	17,744	-	17,744
Interest and Rentals	32,395	7,945	40,340
Transfers	34,081	(34,081)	-
Miscellaneous	2,531	-	2,531
Total Revenues	\$ 579,989	\$ 248,202	\$ 828,191
Program Expenses			
General Government	\$ 240,899	\$ -	\$ 240,899
Public Safety	168,442	-	168,442
Public Works	133,602	-	133,602
Recreation and Culture	13,280	-	13,280
Water	-	281,111	281,111
Total expenses	\$ 556,223	\$ 281,111	\$ 837,334
Change in Net Assets	\$ 23,766	\$ (32,909)	\$ (9,143)

Governmental Activities

The Village's total governmental revenues decreased by \$37,339. The revenues for the prior year included \$73,673 in donations for the park. Without the park donations, revenues would have increased by \$36,334. Expenditures decreased by \$60,435. Capital expenditures decreased by \$88,978 resulting in operating expenses increasing by \$28,543.

Business-Type Activities

The Village's business-type activities consist of the Water Fund. We provide water to the Village residents, the Village of Grand Beach and Michiana Shores. The water is purchased from Michigan City Indiana. In 2004, operating revenues decreased by \$15,323 and expenditures increased by \$18,401. The increase in expenditures is related to an increase in contributions to the health care costs of the employees.

The Village's Funds

Our analysis of the Village's major funds begins following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as state revenue funds for streets. The Village's major fund for 2004 included the General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund pays for most of the Village's governmental services, including legislative, fire, police and other. The most significant is police, which incurred expenses of approximately \$144,876 in 2004. The service is supported by general revenue sources of the General Fund.

Capital Asset Administration

At the end of June 30, 2004, the Village had investment in capital assets for its governmental and business-type activities of \$786,236 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water lines. In addition, the Village has invested significantly in roads within the Village. The Village has chosen to not retroactively report any other infrastructure assets at June 30, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Long-Term Debt

As the end of the current fiscal year, the Village had no outstanding debt.

Economic Factors and Next Year's Budgets and Rates

The Village anticipates revenues over expenditures in the governmental and business-type activity funds. There are no large capital expenditures planned and the Village will continue to build the unrestricted reserves.

Comparative Information

The financials report does not show any comparative data because the current year was the first year of adopting G.A.S.B 34 reporting. Next year the Village expects to present full comparative statements.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

VILLAGE OF MICHIANA

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 288,669	\$ 380,876	\$ 669,545
Certificates of Deposit	20,000	110,000	130,000
Receivables, Net	-	12,540	12,540
Inventory	500	-	500
Internal Balances	35,996	-	35,996
Due from Other Governments	10,886	-	10,886
Prepaid Expenses	9,115	-	9,115
Capital Assets, Net	465,492	317,744	783,236
Total Assets	\$ 830,658	\$ 821,160	\$ 1,651,818
Liabilities			
Accounts Payable	\$ 2,743	\$ 1,954	\$ 4,697
Accrued and Other Liabilities	5,539	1,273	6,812
Internal Balances	28,828	7,168	35,996
Total Liabilities	\$ 37,110	\$ 10,395	\$ 47,505
Net Assets			
Invested in Capital Assts	\$ 465,492	\$ 317,744	\$ 783,236
Restricted for Capital expenditures	50,357	21,135	71,492
Restricted for Public Works	112,456	-	112,456
Unrestricted	165,243	471,886	637,129
Total Net Assets	\$ 793,548	\$ 810,765	\$ 1,604,313

VILLAGE OF MICHIANA

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
June 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government						
<i>Government Activities</i>						
General Government	\$ 240,899	\$ 45,131	\$ -	\$ (195,768)		\$ (195,768)
Public Safety	168,442	-	-	(168,442)		\$ (168,442)
Public Works	133,602	-	50,055	(83,547)		\$ (83,547)
Recreation and Culture	13,280	-	4,170	(9,110)		\$ (9,110)
Total Governmental Activities	<u>\$ 556,223</u>	<u>\$ 45,131</u>	<u>\$ 54,225</u>	<u>\$ (456,867)</u>		<u>\$ (456,867)</u>
<i>Business-Type Activities</i>						
Water Fund	<u>\$ 281,111</u>	<u>\$ 274,338</u>	<u>\$ -</u>		<u>\$ (6,773)</u>	<u>\$ (6,773)</u>
Total Government	<u>\$ 837,334</u>	<u>\$ 319,469</u>	<u>\$ 54,225</u>	<u>\$ (456,867)</u>	<u>\$ (6,773)</u>	<u>\$ (463,640)</u>
General Revenues						
Property Taxes				\$ 393,882	-	393,882
State Shared Revenues				17,744	-	17,744
Interest and Rentals				32,395	7,945	40,340
Transfers				34,081	(34,081)	-
Miscellaneous				2,531	-	2,531
Total General Revenues				<u>\$ 480,633</u>	<u>\$ (26,136)</u>	<u>\$ 454,497</u>
Change in net assets				\$ 23,766	\$ (32,909)	\$ (9,143)
Net Assets- Beginning				769,782	843,674	1,613,456
Net Assets Ending				<u>\$ 793,548</u>	<u>\$ 810,765</u>	<u>\$ 1,604,313</u>

VILLAGE OF MICHIANA

GOVERNMENTAL FUND BALANCE SHEET

June 30, 2004

	General	Non-Major Governmental Funds	Total
ASSETS			
Cash and cash equivalents	128,986	\$ 129,327	\$ 258,313
Cash and cash equivalents, restricted	-	50,356	50,356
Receivables	-	-	-
Due from other funds	11,749	24,247	35,996
Due from other governments	2,392	8,494	10,886
Inventory, at cost	500	-	500
Prepaid expense	9,115	-	9,115
Total assets	<u>152,742</u>	<u>212,424</u>	<u>365,166</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	2,743	-	2,743
Due to other funds	21,079	7,749	28,828
Accrued wages and taxes	5,539	-	5,539
Total liabilities	<u>29,361</u>	<u>7,749</u>	<u>37,110</u>
Fund balances:			
Reserved			
Reserved for inventory	500	-	500
Reserved for capital outlay	-	50,356	50,356
Reserved for prepaids	9,115	-	9,115
Reserved for street maintenance		112,455	112,455
Unreserved	<u>113,766</u>	<u>41,864</u>	<u>155,630</u>
Total fund balances	<u>123,381</u>	<u>204,675</u>	\$ <u>328,056</u>
Total liabilities and fund balances	<u>\$ 152,742</u>	<u>\$ 212,424</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

* Capital assets used in governmental activities are not financial resources and are not reported in the funds

465,492

Net assets of Governmental Activities

\$ 793,548

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

June 30, 2004

	General	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 393,882	\$ -	\$ 393,882
State-shared revenues	17,744	50,055	67,799
Interest and penalties	2,629	2,324	4,953
Costs and fines	100	-	100
Licenses and permits	-	33,637	33,637
Miscellaneous fees	3,499	-	3,499
Rents and royalties	24,000	-	24,000
Equipment rent	13,441	-	13,441
Donations	-	4,170	4,170
Miscellaneous revenues	426	-	426
Total revenues	<u>\$ 455,721</u>	<u>\$ 90,186</u>	<u>\$ 545,907</u>
Expenditures:			
Council	\$ 125,170	\$ -	\$ 125,170
Elections	1,271	-	1,271
Office	38,399	11	38,410
Hall and grounds	31,229	-	31,229
Planning and zoning	1,550	-	1,550
Building inspection	-	33,281	33,281
Police	144,876	-	144,876
Fire	23,566	-	23,566
Public Works	9,858	59,774	69,632
Sanitation	32,741	-	32,741
Parks and recreation	6,848	-	6,848
Beaches	6,433	-	6,433
Capital outlay	-	40,171	40,171
Total expenditures	<u>\$ 421,941</u>	<u>\$ 133,237</u>	<u>\$ 555,178</u>
Excess (deficiency) of revenues over expenditures	<u>33,780</u>	<u>(43,051)</u>	<u>(9,271)</u>
Other financing sources (uses):			
Operating transfers-in	\$ 15,894	\$ 26,695	\$ 42,589
Operating transfers-out	-	(8,508)	(8,508)
Total other financing sources (uses)	<u>\$ 15,894</u>	<u>\$ 18,187</u>	<u>\$ 34,081</u>
Excess (deficiency) of Revenue and Other Sources Over Expenditures and Other Uses	<u>\$ 49,674</u>	<u>\$ (24,864)</u>	<u>\$ 24,810</u>
Fund balances, beginning of year	73,707	229,539	
Fund balances, end of year	<u>\$ 123,381</u>	<u>\$ 204,675</u>	

Amounts reported for governmental activities in the statement of activities are different because:

- * Governmental funds report capital outlay as expenditures: in the statement of activities,
these costs are allocated over their estimated useful lives as depreciation.

(1,044)

Change in Net Assets of Governmental Activities

\$ 23,766

June 30, 2004

	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 490,876
Accounts receivables	12,432
Accrued interest receivable	108
Due from other funds	-
Due from State	-
Inventory, at cost	-
Prepaid expenses	-
	<hr/>
Total current assets	\$ 503,416
Noncurrent assets:	
Capital assets	<hr/> 317,744
	<hr/>
Total assets	<hr/> \$ 821,160
	<hr/>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 3,227
Due to other funds	<hr/> 7,168
	<hr/>
Total current liabilities	<hr/> \$ 10,395
	<hr/>
NET ASSETS	
Invested in capital assets	\$ 317,744
Restricted for capital improvements	21,135
Unrestricted	<hr/> 471,886
	<hr/>
Total net assets	<hr/> \$ 810,765
	<hr/>

VILLAGE OF MICHIANA**PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS****June 30, 2004**

	Water Fund
Operating Revenues:	
Charges for services	\$ 264,738
Service connections	9,600
	<hr/>
Total operating revenues	274,338
Cost of purchased water	
	<hr/>
	147,890
	<hr/>
Gross Operating Margin	\$ 126,448
Operating expenses	
Salaries and wages	\$ 32,971
Payroll taxes	2,509
Hospital	24,749
Retirement benefits	4,331
Workers' compensation	2,914
Supplies	13,759
Professional services	5,015
Telephone	968
Insurance and bonds	5,419
Utilities	6,953
Depreciation	24,481
Rentals	8,000
Miscellaneous expenses	1,152
	<hr/>
Total operating expenses	\$ 133,221
Operating income	\$ (6,773)
Nonoperating Revenues (Expenses)	
Interest income	
	<hr/>
	7,945
Income Before Contributions and Transfers In (Out)	\$ 1,172
Capital Contributions	-
Transfers In (Out)	(34,081)
	<hr/>
Change in Net Assets	\$ (32,909)
Net assets, beginning of year	843,674
	<hr/>
Net assets, end of year	<u>\$ 810,765</u>

June 30, 2004

	Water Fund
Cash Flows From Operating Activities	
Receipts from Customers	\$ 271,974
Payments to Suppliers	(204,282)
Payments to Employees and benefits	(64,560)
Internal Activity - Payments to Other Funds	(32,347)
Other Receipts (Payments)	
Net Cash Provided (Used) by Operating Activities	<u>\$ (29,215)</u>
Cash Flows From Noncapital Financing Activities	
Operating Subsidies and Transfers to Other Funds	
Cash Flows From Capital and Related Financing Activities	
Purchases of Capital Assets	<u>\$ -</u>
Cash Flow From Investing Activities	
Interest and Dividends	<u>\$ 8,046</u>
Net Increase in Cash and Cash Equivalents	\$ (21,169)
Cash and Cash Equivalents-Beginning	<u>512,045</u>
Cash and Cash Equivalents-Ending	<u><u>\$ 490,876</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (6,773)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	24,481
Transfers From (To) Other Funds	(34,081)
Change in Assets and Liabilities	
Receivables, net	(2,364)
Due from other governmental funds	-
Accounts Payable	(12,212)
Due to other governmental funds	<u>1,734</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (29,215)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Michiana (the "Village") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

A. Reporting Entity

The Village of Michigan was incorporated in 1946 under the provisions of Act 3, P.A. 1895, as amended. The Village operates under a Council-Administrator form of government and provides the following services: public safety (police and fire), highways and streets, water utility, recreation, public improvement, planning and zoning and general administration services.

For financial statement purposes, the Village includes all funds and account groups that are controlled by or dependent on the Village, as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Village's obligation to fund any deficits.

B. Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property Taxes – The Village's property taxes attach as an enforceable lien on July 1st, on the taxable valuation of property (as defined by State statutes) located in the Village and payable on September 15. The Village's 2003 ad valorem tax is levied and collectible on July 1st, 2003 and it is recognized as revenue in the current year when the process of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the Village totaled 46.23 million, on which ad valorem taxes levied which consisted of 8.3423 mills for the Village's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable – current or as tax revenue.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded.

The Village reports the following major governmental funds.

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major proprietary fund:

The Water Fund accounts for the activities of the water distribution system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and building function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water fund also recognized the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

D. Assets, Liabilities, and Net Assets or Equity.

Bank Deposits and Investments -- Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 day.

Receivables and Payables -- In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on September 15, at which time penalties and interest are assessed.

Inventories and Prepaid Items -- Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets -- Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has chosen not to retroactively report any other infrastructure assets at June 30, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.****D. Assets, Liabilities, and Net Assets or Equity, Concluded.**

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) – It is the policy of the Village to pay all unused sick and vacation pay benefits accumulated during the year, at the end of each budget year. Therefore there is no liability for unpaid accumulated vacation and sick leave since the government has no policy to accumulate them beyond the year end.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED.

E. Accounting Change

Effective July 1, 2003, the Village implemented the provision of Governmental Accounting Standards Board Statement No. 34, Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments ("GASB 34"). Changes to the Village's financial statements as a result of GASB 34 are as follows:

A Management's Discussion and Analysis ("MD&A") section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Village's activities have been provided.

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.

BUDGETS AND BUDGETARY ACCOUNTING:

The Village performs the following procedures in establishing the budgetary data reflected in the general purpose financial statements:

1. The Finance and Budget Commission prepares a complete itemized budget and submits it to the council at its first meeting in May. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the Finance and Budget Commission to obtain taxpayer comments.
3. The budget is formally adopted by the regular Council meeting in June.
4. Transfers or amendments to the budget may only be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all the funds are adopted on a basis consistent with generally accepted accounting principles.

The budge document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Village to have its budget in place by July 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED.**BUDGETS AND BUDGETARY ACCOUNTING, CONCLUDED:**

State law permits Villages to amend its budgets during the year. There was no amendment made during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds – During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

General Fund:

	Amended Budget	Actual	Variance
General Government – Office	\$ 37,980	\$ 38,399	\$ (419)
General Government – Hall and Grounds	27,780	31,229	(3,449)
Recreation and Culture – Parks	5,100	6,848	(1,748)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Village.

Fund Deficits – The Village has no accumulated fund balance/retained earning deficits in their reported funds.

Note 3. DEPOSIT AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 3. DEPOSIT AND INVESTMENTS, CONTINUED

The Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's. but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

At June 30, 2004, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 288,669	\$ 380,876	\$ 669,545
Certificates of deposits	20,000	110,000	130,000
Total	<u>\$ 308,669</u>	<u>\$ 490,876</u>	<u>\$ 799,545</u>

The bank balance of the primary government's deposits is \$830,550, of which \$246,133 is covered by federal depositary insurance.

Restricted Cash:

The Water Fund reports restricted assets for cash deposited in bank accounts in accordance with the water agreement with the Town of Michiana Shores.

The Village of Michiana has a long-term lease with Town of Michiana Shores, Indiana for the use of the water system that is connected with the Village's water system. The Village sells water to the Indiana customers and maintains and repairs the system which includes the portion located in Indiana.

A portion of the net operating income of the Village Water Fund is allocated to the Towns of Michiana Shores, based upon the percentage of gallons of water used by Indiana customers relative to the total gallonage used in the system. The allocation of this income is set aside in a restricted cash account for the benefit of the Indiana customers for the upgrading of their distribution system, subject to the approval and control of the Michiana Water Authority. All upgrading is paid directly to the contractor, upon written direction by the Board of the Town of Michiana Shores.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 3. DEPOSIT AND INVESTMENTS, CONCLUDED

The restricted cash account at June 30, 2004 consists of the following:

Allocation to the Town of Michiana Shores, Indiana at June 30, 2003	\$ 16,282
Allocation of income	4,740
Interest earned	113
Amount spent through June 30, 2004	<u>-</u>
Total restricted for the Town of Michiana Shores, Indiana	<u>\$ 21,135</u>

Note 4. RECEIVABLES

Receivables as of year end for the Village's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water Fund	Non-Major Funds	Total
Accounts receivable	\$ -	\$ 12,540	\$ -	\$ 12,540
Intergovernmental	2,392	-	8,494	10,886
Less: Allowance	<u>-</u>	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Net receivables	<u>\$ 2,392</u>	<u>\$ 12,440</u>	<u>\$ 8,494</u>	<u>\$ 23,326</u>

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 5. CAPITAL ASSETS

Capital asset activity of the Village for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	<u>\$ 30,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,669</u>
Capital assets being depreciated				
Building and improvements	<u>\$ 482,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,054</u>
Equipment	<u>500,194</u>	<u>40,171</u>	<u>-</u>	<u>540,365</u>
Subtotal	<u>\$ 982,248</u>	<u>\$ 40,171</u>	<u>\$ -</u>	<u>\$ 1,022,419</u>
Less: Accumulated Depreciation	<u>(546,381)</u>	<u>(41,214)</u>	<u>-</u>	<u>(587,595)</u>
Net Capital Assets Being Depreciated	<u>\$ 435,867</u>	<u>\$ (1,043)</u>	<u>\$ -</u>	<u>\$ 434,824</u>
Governmental activities capital total capital assets-net of depreciation	<u><u>\$ 466,536</u></u>	<u><u>\$ (1,043)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 465,493</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Governments	\$41,214

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 5. CAPITAL ASSETS, CONCLUDED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Business-Type Activities</i>				
Capital assets not being depreciated				
Land	\$ 3,049	\$ -	\$ -	\$ 3,049
Capital assets being depreciated				
Building and improvements	\$ 36,234	\$ -	\$ -	\$ 36,234
Infrastructure	799,980	-	-	799,980
Equipment	65,418	-	-	65,418
Subtotal	\$ 901,632	\$ -	\$ -	\$ 901,632
Less: Accumulated Depreciation	(562,456)	(24,481)	-	(586,937)
Net Capital Assets Being Depreciated	\$ 339,176	\$ (24,481)	\$ -	\$ 314,695
Business-Type activities capital total capital assets-net of depreciation	<u>\$ 342,225</u>	<u>\$ (24,481)</u>	<u>\$ -</u>	<u>\$ 317,744</u>

Depreciation was charged to programs for the business-type activities as follows:

Water \$24,481

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2004

Note 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**Interfund receivables and payables**

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 11,749	Water	\$ 7,168
Local Street	8,516	Major Street	7,749
Building	<u>15,731</u>	General fund	<u>21,079</u>
Total	<u>\$ 35,996</u>	Total	<u>\$ 35,996</u>

Interfund transfers

<u>Fund</u>	<u>Transfer IN</u>	<u>Fund</u>	<u>Transfers Out</u>
General	\$ 15,894	Water	\$ 34,081
Local Street	8,508	Major Street	8,508
Capital projects	<u>18,187</u>	General fund	<u>-</u>
Total	<u>\$ 42,589</u>	Total	<u>\$ 42,589</u>

Note 7. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2004

Note 8. MICHIANA SHORES VOLUNTEER FIRE DEPARTMENT

The Village of Michiana has entered into a long-term contract with the Michiana Shores Volunteer Fire Department to provide fire protection services for the Village of Michiana. The contract is effective for the period July 1, 2003 through June 30, 2006. The contract requires quarterly installments totaling the following on an annual basis:

2004	\$	23,566
2005	\$	24,273
2006	\$	25,001

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 73,707	\$ 73,707	\$ 73,707	
Resources (Inflows)				
Property taxes	371,000	371,000	393,882	22,882
State-shared revenues	17,100	17,100	17,744	644
Interest and penalties	3,000	3,000	2,629	(371)
Costs and fines	-	-	100	100
Miscellaneous fees	3,300	3,300	3,499	199
Rents and royalties	14,000	14,000	24,000	10,000
Equipment rent	11,000	11,000	13,441	2,441
Miscellaneous revenues	550	550	426	(124)
Amounts Available for Appropriation	<u>\$ 493,657</u>	<u>\$ 493,657</u>	<u>\$ 529,428</u>	
Charges to Appropriations (Outflows)				
General Government				
Council	\$ 128,950	\$ 128,950	\$ 125,170	(3,780)
Elections	1,800	1,800	1,271	(529)
Office	37,980	37,980	38,399	419
Hall and grounds	27,780	27,780	31,229	3,449
Planning and zoning	2,700	2,700	1,550	(1,150)
Public Safety				
Police	149,045	149,045	144,876	(4,169)
Fire	25,000	25,000	23,566	(1,434)
Public Works				
Public Works	12,500	12,500	9,858	(2,642)
Sanitation	38,330	32,741	32,741	-
Recreation and Culture				
Parks and recreation	5,100	5,100	6,848	1,748
Beaches	6,440	6,440	6,433	(7)
Capital outlay	3,320	3,320	-	(3,320)
Transfers Out (In)	(14,000)	(14,000)	(15,894)	(1,894)
Total Charges to Appropriations	<u>\$ 424,945</u>	<u>\$ 419,356</u>	<u>\$ 406,047</u>	
Budgetary Fund Balance - June 30, 2004	<u>\$ 68,712</u>	<u>\$ 74,301</u>	<u>\$ 123,381</u>	

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF MICHIANA
COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2004

	<u>Streets</u>	<u>Building Inspector Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 103,194	\$ 26,133	\$ -	\$ 129,327
Cash and cash equivalents, restricted	-	-	50,356	50,356
Receivables	-	-	-	-
Due from other funds	8,516	15,731	-	24,247
Due from other governments	8,494	-	-	8,494
Prepaid expense	-	-	-	-
Total assets	<u>\$ 120,204</u>	<u>\$ 41,864</u>	<u>\$ 50,356</u>	<u>\$ 212,424</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	7,749	-	-	7,749
Accrued wages and taxes	-	-	-	-
Total liabilities	<u>\$ 7,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,749</u>
Fund balances:				
Reserved				
Reserved for capital outlay	\$ -	\$ -	\$ 50,356	\$ 50,356
Reserved for prepaids	-	-	-	-
Reserved for street maintenance	112,455	-	-	112,455
Unreserved	-	41,864	-	41,864
Total fund balances	<u>112,455</u>	<u>41,864</u>	<u>50,356</u>	<u>204,675</u>
Total liabilities and fund balances	<u>\$ 120,204</u>	<u>\$ 41,864</u>	<u>\$ 50,356</u>	<u>\$ 212,424</u>

VILLAGE OF MICHIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2004

	<u>Streets</u>	<u>Building Inspector Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
State-shared revenues	\$ 50,055	\$ -	\$ -	\$ 50,055
Interest and penalties	1,252	379	693	2,324
Licenses and permits	-	33,637	-	33,637
Donations	-	-	4,170	4,170
Miscellaneous revenues	-	-	-	-
Total revenues	<u>\$ 51,307</u>	<u>\$ 34,016</u>	<u>\$ 4,863</u>	<u>\$ 90,186</u>
Expenditures:				
Office	\$ -	\$ -	\$ 11	\$ 11
Building inspection	-	33,281	-	33,281
Public Works	54,774	-	5,000	59,774
Capital outlay	-	-	40,171	40,171
Total expenditures	<u>\$ 54,774</u>	<u>\$ 33,281</u>	<u>\$ 45,182</u>	<u>\$ 133,237</u>
Excess (deficiency) of Revenues over expenditures	<u>\$ (3,467)</u>	<u>\$ 735</u>	<u>\$ (40,319)</u>	<u>\$ (43,051)</u>
Other financing sources (uses):				
Operating transfers-in	\$ 8,508	\$ -	\$ 18,187	\$ 26,695
Operating transfers-out	(8,508)	-	-	(8,508)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,187</u>	<u>\$ 18,187</u>
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (3,467)</u>	<u>\$ 735</u>	<u>\$ (22,132)</u>	<u>\$ (24,864)</u>
Fund balances, beginning of year	<u>115,922</u>	<u>41,129</u>	<u>72,488</u>	<u>229,539</u>
Fund balances, end of year	<u><u>\$ 112,455</u></u>	<u><u>\$ 41,864</u></u>	<u><u>\$ 50,356</u></u>	<u><u>\$ 204,675</u></u>

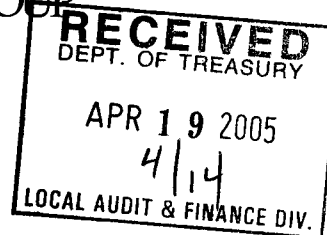
June 30, 2004

	Major Steet Fund	Local Street Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 57,105	\$ 46,089	\$ 103,194
Due from other funds	-	8,516	8,516
Due from other governments	5,822	2,672	8,494
Total assets	<u>\$ 62,927</u>	<u>\$ 57,277</u>	<u>\$ 120,204</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Current liabilities			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	7,749	-	7,749
Total liabilities	<u>\$ 7,749</u>	<u>\$ -</u>	<u>\$ 7,749</u>
Fund equity:			
Reserved for street maintenance	55,178	57,277	112,455
Total liabilities and fund equity	<u>\$ 62,927</u>	<u>\$ 57,277</u>	<u>\$ 120,204</u>

VILLAGE OF MICHIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
STREET FUNDS
June 30, 2004

	Major Streets	Local Streets	Total
Revenues:			
State-shared revenues	\$ 34,329	\$ 15,726	\$ 50,055
Interest and penalties	722	530	1,252
Total revenues	\$ 35,051	\$ 16,256	\$ 51,307
Expenditures:			
Road maintenance:			
Wages	\$ 3,169	\$ 2,127	\$ 5,296
Fringe benefits	256	178	434
Supplies	679	120	799
Equipment rental	2,442	2,335	4,777
Routine maintenance	23,378	969	24,347
	\$ 29,924	\$ 5,729	\$ 35,653
Winter maintenance:			
Wages	\$ 1,834	\$ 1,812	\$ 3,646
Fringe benefits	140	139	279
Supplies	2,203	1,439	3,642
Equipment rental	4,319	4,345	8,664
	\$ 8,496	\$ 7,735	\$ 16,231
Road maintenance administration:			
Other administrative costs	\$ 1,611	\$ 1,279	\$ 2,890
Total Expenditures	40,031	14,743	54,774
Excess (deficiency) of revenues over expenditures	(4,980)	1,513	(3,467)
Other financing sources (uses):			
Operating transfers-in	\$ -	\$ 8,508	\$ 8,508
Operating transfers-out	(8,508)	-	(8,508)
Total other financing sources (uses)	\$ (8,508)	\$ 8,508	\$ -
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (13,488)	\$ 10,021	\$ (3,467)
Fund balances, beginning of year	68,666	47,256	115,922
Fund balances, end of year	\$ 55,178	\$ 57,277	\$ 112,455

THE JACKSON GROUP



Honorable Members of the Council
Village of Michiana
Berrien County, Michigan

In planning and performing our audit of the general purpose financial statements of the Village of Michiana for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

Reportable conditions:

Accounts receivable

In order to insure all accounts have been billed and the township is collecting all monies due, all receivable balances should be tied out to the general ledger accounts on a monthly basis. The board should receive a report of receivables due on a monthly basis.

Purchase orders

Each department head should prepare a purchase order for all items to be paid from township funds. An approved purchase order should be present before an invoice is paid.

Segregation of duties

As is typical of government of this size, true segregation of duties is not practical. Great care should be followed in all internal control procedures to insure against fraud and misappropriations.

Adoption of Capitalization Policy

With the Village's adoption of G.A.S.B. 34 requirements, it is necessary for Village assets in all funds to be properly tracked, recorded, and depreciated in accordance with prescribed accounting policies.

We recommend the Village adopt a capitalization policy, through a resolution, for assets that have a life expectancy greater than one year and a value over a certain dollar limit (e.g. \$5,000) to be capitalized for proper financial recording. The policy should also adopt how long each asset will be depreciated and any salvage value it may have.



Other comments and recommendations:

Comments:

- The books and records were found to be complete and available for audit.
- The staff provided full cooperation and assistance during the audit.

This report is intended solely for the information and use of the Village of Michiana Council, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties. However, a report issued in connection with an audit of a local government is a matter of public record.

The Don Jackson Group, P.C.

The Don Jackson Group, PC

March 31, 2005